

G-185

PEOPLES
ENERGY
Peoples Gas
North Shore Gas

May 16, 2001

Advice No. 1188

Ms. Donna Caton
Chief Clerk
Illinois Commerce Commission
527 East Capitol Avenue
Springfield, Illinois 62701

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ILLINOIS COMMERCE COMMISSION
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Dear Ms. Caton:

Enclosed for filing on May 16, 2001, to become effective on May 1, 2002, are
copies of the following sheets of The Peoples Gas Light and Coke Company's Schedule
of Rates for Gas Service (Ill.C.C. No. 27):

- Fifth Revised Sheet No. 2
Canceling Fourth Revised Sheet No. 2
- Seventh Revised Sheet No. 3
Canceling Sixth Revised Sheet No. 3
- Third Revised Sheet No. 25
Canceling Second Revised Sheet No. 25
- Fifth Revised Sheet No. 35
Canceling Third Revised Sheet No. 35
- Fifth Revised Sheet No. 36
Canceling Third Revised Sheet No. 36
- Sixth Revised Sheet No. 37
Canceling Fifth Revised Sheet No. 37
- Fifth Revised Sheet No. 38
Canceling Third Revised Sheet No. 38
- Fifth Revised Sheet No. 39
Canceling Third Revised Sheet No. 39
- Fifth Revised Sheet No. 40
Canceling Third Revised Sheet No. 40

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Fifth Revised Sheet No. 41
Canceling Third Revised Sheet No. 41

Fifth Revised Sheet No. 42
Canceling Third Revised Sheet No. 42

Third Revised Sheet No. 43
Canceling Second Revised Sheet No. 43

Fifth Revised Sheet No. 147
Canceling Fourth Revised Sheet No. 147

Fourth Revised Sheet No. 148
Canceling Third Revised Sheet No. 148

Third Revised Sheet No. 149
Canceling First Revised Sheet No. 149

Third Revised Sheet No. 150
Canceling Second Revised Sheet No. 150

Third Revised Sheet No. 151
Canceling Second Revised Sheet No. 151

Third Revised Sheet No. 152
Canceling Second Revised Sheet No. 152

Fourth Revised Sheet No. 153
Canceling Third Revised Sheet No. 153

Fourth Revised Sheet No. 154
Canceling Third Revised Sheet No. 154

Third Revised Sheet No. 155
Canceling Second Revised Sheet No. 155

Second Revised Sheet No. 156
Canceling First Revised Sheet No. 156

Second Revised Sheet No. 157
Canceling First Revised Sheet No. 157

Third Revised Sheet No. 158
Canceling Second Revised Sheet No. 158

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Fourth Revised Sheet No. 159
Canceling Third Revised Sheet No. 159

Second Revised Sheet No. 160
Canceling First Revised Sheet No. 160

First Revised Sheet No. 161
Canceling Original Sheet No. 161

Second Revised Sheet No. 162
Canceling First Revised Sheet No. 162

Original Sheet No. 162.1

Original Sheet No. 162.2

Original Sheet No. 162.3

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The Peoples Gas Light and Coke Company ("Peoples Gas" or the "Company") requests with this filing that the Illinois Commerce Commission ("Commission") enter an order approving the expansion of and related changes to Peoples Gas' small volume customer transportation program ("Choices For Yousm Program" or "Program"). These changes are in Riders SVT, AGG and 2 and the Terms and Conditions of Service, which necessitated changes to the Table of Contents.

Peoples Gas is a corporation organized and existing under the laws of the State of Illinois, having its principal office at 130 East Randolph Drive, Chicago, Illinois 60601, and is engaged in the business of purchasing and storing gas for, and distributing, selling and transporting gas to, approximately 840,000 customers within the City of Chicago, Illinois. Peoples Gas is a public utility within the meaning of the Public Utilities Act.

On June 29, 1997, the services provided under Riders SVT and AGG and now known as the Choices For Yousm Program went into effect. At that time, the

Commission initiated an investigation to review certain aspects of the Program (Docket No. 97-0297). On August 12, 1998, the Commission concluded its investigation, and the Company made a compliance filing. In addition, Peoples Gas has made several other filings revising various elements of the Program, including making the Program permanent and expanding the eligibility criteria to allow all small volume commercial customers to participate. Prior to making the instant filing, the Company met with the Commission Staff, various consumer and governmental representatives and participating Program suppliers to discuss important components of the filing.

By this filing, Peoples Gas proposes to extend the availability of the Program to its small volume residential customers (Service Classification No. 1) on a phased basis and to enhance the services provided to suppliers and customers. The Company proposes substantial revisions to Riders SVT, Small Volume Customer Transportation Service, and AGG, Aggregation Service, to incorporate the new Program attributes and to make editorial changes for clarification. The Company proposes revisions to Rider 2 to add a new type of gas charge, the Aggregation Balancing Gas Charge, that would apply to Rider AGG suppliers based on the consumption of customers they serve. As the name suggests, the new gas charge would recover from suppliers the Company's costs supporting the balancing and gas cost related storage service provided to suppliers under Rider AGG. Revenues arising from this charge would be credited against the non-commodity gas charge, which is one component of the gas charge paid by retail sales customers. Finally, the Company proposes adding a provision called "Operational Integrity" to its Terms and Conditions of Service to provide a tool for the Company to more effectively manage gas deliveries to its citygates.

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The Program has been well-received by suppliers and customers. Currently, six suppliers are participating in the Program, and approximately 11,400 small volume commercial customers are taking service. As the Company indicated when it first filed the Program on a pilot basis, one purpose of the pilot would be to gain experience with providing transportation service to relatively small volume commercial customers, with the expectation that the Program could be extended to residential customers. After approximately four years' experience with the Program, it is now feasible to give residential customers the opportunity to choose alternative suppliers.

Peoples Gas proposes to make that opportunity available on May 1, 2002 to implement other modifications to the Program at that time. The May 1, 2002 implementation date has several advantages. First, it is preferable from a gas supplier perspective (the Company's and participating suppliers') to introduce a program in the spring to provide a full storage injection season. Second, it affords the Company and participating suppliers adequate time to prepare to implement and market the Program as well as develop and conduct appropriate customer education efforts. Finally, it coincides with the availability of residential delivery services by electric utilities.

Small volume commercial customers (annual consumption of 50,000 therms or less) and residential customers would take service under the same riders. The only elements of the Program unique to residential customers would be: (a) eligibility would be phased in, with service available throughout the service territory on a first-come, first-served basis to 75,000 residential customers in the first year and increasing each year thereafter; and (b) the Company would need to enter into an appropriate agreement

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with the Illinois Department of Commerce and Community Affairs to govern the distribution of energy assistance (*i.e.*, LIHEAP) grants to participating customers.

With respect to phasing in eligibility, the Company proposes to facilitate additional participation by providing tariff authority to raise enrollment limits, from time to time, with notice to the Commission. Subject to the enrollment limitations, enrollment would be continuously available, *i.e.*, there would not be defined enrollment periods. However, in order to manage its gas supply and capacity assets efficiently and minimize the disconnect between existing contractual commitments and changes in service obligations as customers migrate to the new transportation service, it is essential that enrollment limits be applied to residential customers. Enrollment limits are also necessary to prevent subsidization from customers not participating in the Program.

In addition to the Program features applicable only to residential customers, the Company is proposing several changes to the Program that would enhance the services available to suppliers and customers and better match supplier charges to cost incurrence by the Company. Major proposed changes are:

- eliminating the requirement that suppliers contract for winter period firm transportation with an interstate pipeline serving the citygate;
- substantially reducing the monthly per account charge paid by the supplier;
- providing daily and monthly delivery tolerances, with appropriate critical day limitations, applicable to the required daily delivery quantity determined by the Company;
- adding a tool for managing deliveries to the Company's various citygate stations;

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- increasing the amount of storage available to suppliers;
- introducing balancing and cashout charges that better mirror the way in which the Company incurs costs to serve these customers and to accommodate the new tolerances, as well as including appropriate critical/non-critical day distinctions;
- removing the restriction on budget payment plan participation, for the Company's charges, and continuing the availability of other payment plans;
- requiring that suppliers' bills to customers be based on the Company's consumption data and billing period to improve customer understanding of bills; and
- providing a customer returning to retail sales service with the utility, for no reason, with a sixty-day grace period to arrange with a supplier to take transportation service before a required twelve-month stay (inclusive of the sixty day period) on utility service takes effect.

In sum, the changes to the Choices For Yousm Program benefit all customers (both participants and non-participants) and suppliers. More flexible supply management provisions would assist suppliers in serving small volume customers. Residential customers would have the opportunity to select an alternative supplier. Customers choosing to remain with the utility for supply service would not be disadvantaged because the supplier charges and enrollment limits guard against cross-subsidies.

Concurrent with this filing, the Company has posted public notice of the proposed changes to its Schedule of Rates in a public and conspicuous place in each of its offices in accordance with the provisions of 83 Ill. Admin. Code Part 255. A copy of

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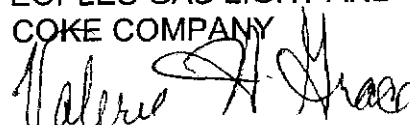
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this letter with attachments is being sent to Ms. Mary Selvaggio (Director of Accounting) and Mr. John Hendrickson (Director of Rates).

I am enclosing a copy of this letter with attachments and a self-addressed stamped envelope for your convenience in acknowledging receipt of this filing

Very truly yours,

THE PEOPLES GAS LIGHT AND
COKE COMPANY

By: 
/S/ VALERIE H. GRACE

Valerie H. Grace
Director, Rates and
Gas Transportation Services

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cc: Dr. Thomas Kennedy